

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5573S.01I
 Bill No.: SB 1401
 Subject: Office of Administration; Appropriations; Education, Higher; Retirement - State;
 Retirement Systems and Benefits - General
 Type: Original
 Date: March 13, 2024

Bill Summary: This proposal provides that the Commissioner of Administration shall request a certain amount of the Missouri State Employees' Retirement System employer contribution rate for certain state colleges and universities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	\$0	\$0 or (\$4,930,500)	\$0 or (\$10,682,750)
Total Estimated Net Effect on General Revenue	\$0	\$0 or (\$4,930,500)	\$0 or (\$10,682,750)

* Oversight will show a cost to General Revenue to cover the increase in employer contributions for certain colleges and universities if the Board of the Missouri State Employees' Retirement System ("MOSERS") certifies a contribution rate that exceeds 28.75%.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
University Funds	\$0	\$0 or \$4,930,500	\$0 or \$10,682,750
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or \$4,930,500	\$0 or \$10,682,750

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of Administration - Budget and Planning (B&P)** state Sections 104.436.2 and 104.1066.2 would require the Commissioner of Administration to request an appropriation amount equal to the difference between the greater contribution rate and twenty-eight and three-quarters percent of compensation for the members of Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Southwest Missouri State University, State Technical College of Missouri, Truman State University, and University of Central Missouri in the event the MOSERS Board of Trustees certifies a contribution rate that exceeds twenty-eight and three-quarters percent.

Considering the MOSERS Board of Trustees has adopted a policy to increase the MSEP contribution rate to 30.25% in FY26 and 32% in FY27, the Commissioner of Administration would likely have to request a new decision item in FY26 and FY27 if this policy is kept in place.

B&P received information indicating the legislation's listed universities actual payroll expenditures were \$328.7M in FY23. If this same payroll figure were used to calculate these universities required MOSERS contributions in FY25, based on the certified FY25 contribution rate of 28.75%, that amount would be \$94,501,250. Assuming the MOSERS Board of Trustees were to maintain their policy of increasing the contribution rate to 30.25% in FY26 and 32% in FY27, these universities would be obligated to contribute \$99,431,750 in FY26 and \$105,184,000 in FY27 in total. Under this legislation, using the assumption payroll will remain static and MOSERS contribution rates will continue to rise incrementally to 32%, the Commissioner of Administration would need to request an FY26 NDI for \$4,930,500 and an FY27 NDI for \$5,752,250. B&P notes growth or decline in payroll for the universities outlined in the bill could either increase or decrease the appropriation authority required in the Commissioner of Administration's NDI request.

B&P assumes there will not be dedicated funds for the purpose of complying with this legislation. Thus, any additional appropriations requested by OA would likely contain general revenue funds.

Upon further inquiry, **B&P** assumed the cost should be \$10,682,750 for FY 2027 (by adding the \$4.9M for FY 26 & \$5.7M for FY27 together).

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state the proposal has no direct fiscal impact to the Joint Committee on Public Employee Retirement.

The JCPER's review of the proposal indicates that its provisions may constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10). It is impossible to

accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Officials from the **Northwest Missouri State University** state the potential for the cost to be reduced if this bill is approved and additional funding is included in the annual state approved budget. For every 1% differential it is estimated it would save the University approximately \$500,000.

Officials from the **Office of Administration**, the **Missouri State Employee's Retirement System** and the **University of Central Missouri** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Current Status of MOSERS:

As of June 30, 2023	Funded Ratio 57.6%
Market Value of Assets:	\$8,557,793,248
Actuarial Value of Assets:	\$9,331,207,050
Liabilities:	\$16,190,813,686
Unfunded Actuarial Accrued Liability	\$6,859,606,636

Covered Payroll as of June 30, 2023: \$2,225,164,914

Recommended Contribution Rate for FY 2023: 26.33% of payroll. Employees hired for the first time on or after January 1, 2011 contribute 4% of compensation to MOSERS. Estimated employer contribution is approximately \$1.1 billion.

Based on [information](#) from Missouri State University, **Oversight** assumes all college and university staff employees and also faculty hired before July 1, 2000 are covered by a MOSERS defined benefit plan. Faculty and full-time academic administrators who have never been enrolled in MOSERS and were hired after July 1, 2002 are enrolled in the College and University Retirement Plan (CURP). Oversight assumes this proposal relates to the MSEP plans.

For purposes of this fiscal note, **Oversight** will adopt the estimated payroll expenditure assumed by B&P. Should this assumption be incorrect, this would change the fiscal impact presented in this fiscal note.

Oversight estimated the cost to General Revenue if the Board of the Missouri State Employees' Retirement System ("MOSERS") certifies a contribution rate that exceeds 28.75% as noted below (assuming \$328,700,000 in payroll expenditures):

Fiscal Year	Employer Contribution Rate	Employer Contributions	Difference from Base Contributions
2025	28.75% (Base)	\$94,501,250	\$0
2026	30.25%	\$99,431,750	\$4,930,500
2027	32.00%	\$105,184,000	\$10,682,750

Oversight assumes the impact will be cumulative year over year.

Oversight will show a cost to General Revenue to cover the increase in employer contributions for certain colleges and universities if the Board of the Missouri State Employees' Retirement System ("MOSERS") certifies a contribution rate that exceeds 28.75% and a subsequent savings to colleges and universities.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Cost</u> – for an appropriated amount to pay for increased employer contributions for certain Universities - §104.436 & 104.1066	\$0	\$0 or (\$4,930,500)	\$0 or (\$10,682,750)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 or (\$4,930,500)	\$0 or (\$10,682,750)
UNIVERSITY FUNDS			
Savings – from costs now covered by a state appropriation for certain Universities - §104.436 & 104.1066	\$0	\$0 or \$4,930,500	\$0 or \$10,682,750
ESTIMATED NET EFFECT ON UNIVERSITY FUNDS	\$0	\$0 or \$4,930,500	\$0 or \$10,682,750

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	\$0	\$0	\$0

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

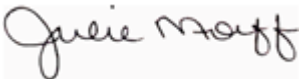
FISCAL DESCRIPTION

Beginning on August 28, 2024, in the event that the Board of the Missouri State Employees' Retirement System ("MOSERS") certifies a contribution rate that exceeds 28.75%, the Commissioner of the Office of Administration shall include in its appropriation request an amount equal to the difference between the certified contribution rate and 28.75% of the compensation of members who are employees of certain state higher education institutions.

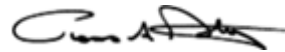
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement
Office of Administration - Budget and Planning
Office of Administration
University of Central Missouri
Northwest Missouri State University



Julie Morff
Director
March 13, 2024



Ross Strobe
Assistant Director
March 13, 2024